

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 NEA-10 ISO-00 CAB-02 CIAE-00 COME-00
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R 041559Z MAR 77

FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 2402
INFO AMEMBASSY BEIRUT
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY KUWAIT
AMCONSUL KARACHI
AMEMBASSY LONDON
S/AMEMBASSY PARIS 2158
AMEMBASSY ROME
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FROM RCAA DWOR

DEPARTMENT PASS COMMERCE FOR COHEN, HALE, MYERS: EXIMBANK

DEPARTMENT PASS FAA FOR CARY AND CARMICHAEL

BEIRUT FOR RCAA

BRUSSELS FOR FAA

ROME FOR RCAA

E.O. 11652: N/A

TAGS: EAIR, BEXP, EG

SUBJECT: EGYPTAIR STATUS AND FLEET PLANNING A-300B4 LEASE

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REF: (A) ROME 1405, (B) CAIRO 2923

1. SUMMARY: RCAA/EMBASSY MEETINGS MARCH 1-3 WITH
HEADQUARTERS STAFF EGYPTAIR INCLUDING CHAIRMAN MOHAMAD
HASHAD, VICE CHAIRMAN FINANCE EZZAT MEGAHED, VICE CHAIRMAN
OPERATIONS Y.S. AIDEROS, VICE PRESIDENT PLANNING

MOHAMED EL ZEMETI, PLANNING GENERAL MANAGER M. BAZARAA, AND FORMER OPERATIONS DIRECTOR M.Y. FAHMY INDICATE FOLLOWING: A. AIRLINE HAS REGISTERED PRELIMINARY NET PROFIT \$8.0 MILLION YEAR ENDED DEC. 31, 1976; B. TRAFFIC (RPK'S) UP 19 PERCENT, CAPACITY (ASK'S) UP AT LESSER RATE 16 PERCENT, AND PASSENGER LOAD FACTOR UP 1.8 POINTS TO 58 PERCENT 1976 OVER 1975; C. AIRLINE APPEARS TARGETING FOR GO-AHEAD DECISION LATER THIS YEAR (DESPITE FINANCING CONSTRAINTS) TO ACQUIRE THREE NEW WIDEBODIED AIRCRAFT FOR SCHEDULED SERVICES SPRING 1979;

D. IN RELATED MOVES TO RATIONALE FLEET MORE EFFECTIVELY, AIRLINE LEASING OUT TO TRANSAVIA HOLLAND TWO BOEING 109-SEAT ADVANCED 737-266 TWINJETS FOR 24 MONTHS SIMULTANEOUSLY WITH WELEASE FROM GERMANAIR OF TWO AIRBUS INDUSTRIE A-300B4'S FOR SIMILAR PERIOD; E. PROSPECTS FOR SALE U.S. WIDEBODIES AIRCRAFT TO AIRLINE APPARENTLY UNDIMMED, WITH EGYPTAIR PLANNERS AWARENESS APYLOAD/RANGE SHORTFALLS A-300B4 ON SUCH IMPORTANT ROUTE SECTORS AS BOMBAY-CAIRO, CAIRO-LONDON, CAIR-COPENHAGEN, CAIRI-APRIS COUPLED WITH SENIOR STAFF STATEMENTS THAT GERMANAIR LEASE UNRELATED INTERIM MOVE TO COVER CRITICAL CAPACITY AND MARKET SHARE SHORTFALLS ON HIGH DENSITY ROUTES WITHIN ARAB WORLD PENDING PERMANENT WIDEBODIES ACQUISITIONS.

F. AIRLINE HIGHLY SATISFIED WITH ECONOMICS, PERFORMANCE, AND PROFITABILITY ITS NEW SEVEN-AIRCRAFT ADVANCED 737-266 TWINJET FLEET, PARTICULARLY IN HIGH-DENSITY DOMESTIC DEPLOYMENT BUT DISAPPROPRIATED PAYLOAD/RANGE LIMITED OFFICIAL USE

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CAPABILITIES ON SEEVERAL REGONAL ROUTES(SANAA-CAIRO, KHARTOUM-CAIRO, AMMAN-CAIRO). END SUMMARY.

2. FINANCIAL RESULTS: AIRLINE HAS REGISTERED PRELIMINARY (\$7.98 MILLION AT IATA CONVERSION RATE) FOR YEAR ENDED DEC. 31, 1976 AS COMPARED TO 1.5 MILLION EGYPTIAN POOUNDS (\$3.4 MILLION) FOR 1975. STRONG SHOWING DUE HIGHLY PROFITABLE AVANCED 737-266/707-366C FLEET, 1.8 POINT INCREASE IN PASSENGER LOAD FACTOR, AND PHASEOUT COSTLY, OBSOLESCE HAWKER SIDDELEY COMET 4C'S.

3. TRAFFIC RESULTS:

	REVENUE PSGR	AVAILABLE SEAT	PASSENGER LOAD
	KILOMETERS (000)	KILOMETERS (000)	FACTOR
1974	1,285,331	2,516,927	51.1 PERCENT
1975	1,459,003	2,596,763	56.2 PERCENT
INCREASE			
OVER 1974	PLUS FOURTEEN	PLUS THREE	PLUS 5.1 POINTS
	PERCENT	PERCENT	

1976 1,738.902 3,002,449 58.0 PERCENT

INCREASE

OVER 1975 PLUS NINETEEN PLUS SIXTEEN PLUS 1.8 POINTS
PERCENT PERCENT

4. PRESENT FLEET AND DEPLOYMENT (JANAURY 26-MARCH 31
SCHEDULES):

A. BOEING ADVANCED 737-266: SEVEN AIRCRAFT IN SERVICE
(FIVE EFFECTIVE APRIL), CONFIGURED AT 109 ALL-ECONOMY
SEATS AND DEPLOYED ON 28 DOMESTIC TRUNKLINE (CAIRO-
LUXOR-ASWAN-ABU SIMBEL), 14 REGIONAL MIDDLE EAST, 10
NORTH AFRICA/LIBYA, AND 11 WEST EUROPEAN ROUNDTrip
SCHEDULES WEEKLY. AVERAGE DAILY UTILIZATION 1976
5.5 HOURS PER DAY PER AIRCRAFT, BUT WITH SLIMMED-DOWN
FLEET OF FIVE, WILL INCREASE TO OPTIMUM 7.5 HOURS FOR
1977.

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B. BOEING 707-366C: SEVEN AIRCRAFT IN SERVICE CONFIGURED
AT 154 MIXED CLASS SEATS (12 PLUS 142), AND DEPLOYED ON
24 REGIONAL MIDDLE EAST, 16 WEST EUROPE, 7 GULF, 2 WEST
AFRICA, 2 EAST AFRICA, 2 FAR EAST, AND 1 INDIA ROUNDTrip
SCHEDULES WEEKLY, AVERAGE DAILY UTILIZATION 9.9 HOURS
PER DAY PER AIRCRAFT.

5. WIDEBODIES LEASE: EGYPTAIR SIGNED WETLEASE (INCLUDING
CREWS) AGREEMENT WITH GERMANAIR (FRANKFURT-BASED CHARTER
AIRLINE) LATE FEBRUARY COVERING TWO 278-SEATS (20 PLUS
258) AIRBUS INDUSTRIE A-300B4'S FOR DEPLOYMENT ON REGIONAL
HIGH-DENSITY ROUTES REPLACING IN MAIN, BOEING 707-366C
CAPACITY WHICH, IN TURN, FREED TO REPLACE CAPACITY GAP
CREATED BY LEASE TO TRANSAVIA HOLLAND OF TWO BOEING
ADVANCED 737-266'S. PERIODS OF GERMANAIR AND TRANSAVIA

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DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 L-03 H-01 XMB-02

PM-04 NSC-05 SP-02 SS-15 TRSE-00 OMB-01 AF-08 /081 W

-----041848Z 025228 /45

R 041559Z MAR 77

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 2403

INFO AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY BRUSSELS

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HOLLAND AGREEMENTS RUN FOR 24 MONTHS TO SPINRG 1979. ACCORDING BAZARAA AND EL ZEMETI, A-300B4 LEASE WORKED OUT DIRECTLY BETWEEN GERMANAIR AND EGYPTAIR WIHOUT INTERVENTION OF OR CONSULTATIONS WITH AIRBUS INDUSTRIE. COPETING FOR FILLING EGYPTAIR'S LEASING REQUIREMENTS, WERE (ALONG WITH GERMANAIR) KOREAN AIRLINES, TRANS EUROPEAN AIRWAYS (LIEGE, BELGIUM), AND LTU (DUSSELDORF). LTU, OFFERING TWO 330-SEAT LOCKHEED-CALIFORNIA L-1011 TRISTARS, LOST OUT DUE UNAVAILABILITY ITS AIRCRAFT UNTIL JUNE BECAUSE OF FAA-REQUIRED FLOOR STRENGTHENING MODIFICATONS. THE TWO GERMANAIR A-300B4'S WILL ENTER SCHEDULED SERVICE APRIL 9 AND MAY 14 ON FOLLOWING SECTORS: CAIRO-ABU DHABI-DUBAI 2 RTS WEEKLY, CAIRO-DUBAI-KARACHI 2 RTS WEEKLY, CAIRO-JIDDA 7 RTS WEEKLY, CAIRO-KUWAIT 5 RTS WEEKLY, CAIRO-DOHA-ABU DHABI 2 RT'S WEEKLY. AVERAGE LIMITED OFFICIAL USE

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DAILY UTILIZATION 7.5 HOURS PER DAY PER AIRCRAFT.

6. FLEET EXPANSION PLANNING: DESPITE FINANCIAL CONSTRAINTS AND EGYPTIAN ECONOMIC UNCERTAINTIES, AIRLINE IS HIGHLY ENCOURAGED BY \$8 MILLION NET PROFIT 1976 AND POINTING TOWARDS 1977 ORDER FOR THREE WIDEBODIED AIRCRAFT (\$90-\$150 MILLION DEPENDENT UPON TYPE ORDERED) LATER THIS YEAR FOR INITIAL DELIVERY LATE 1978 AND ENTRY INTO SCHEDULED SERVICE APRIL 1979, REPLACING THE TWO GERMANAIR A-300B4'S. HEAVY WIDEBODIES COPETITION AND NEED TO MEET 20 PERCENT ANNUAL TRAFFIC GROWTH PUSHING AIRLINE TO ACCELERATE DECISION; TYPES UNDER CONSIDERATION A-300B4, L 1011-200 AND L-1011-500, DC-10-10 AND DC-10-30, 747-266B AND 747SP. BASED ON 1976 TRAFFIC RESULTS, AIRLINE

COMPLETING REVISED GROUND RULES/PARAMETERS FOR COMPETING AIRCRAFT MANUFACTURERS, WHICH WILL BE FORWARDED TO MANUFACTURERS THIS MONTH. ALTHOUGH A-300B4 REPRESENTS FORMIDABLE SHORT TO MEDIUM-RANGE COMPETITOR, ITS PAYLOAD LIMITATIONS CAIR-LONDON-CAIRO-PARIS, CAIRO-COPENHAGEN, BOMBAY-CAIRO INHIBIT ITS FLEXIBILITY AND APPLICABILITY ON EGYPTAIR'S TOTAL ROUTE NETWORK.

7. BOEING ADVANCED 737-266: AIRLINES FIVE NEW TWINJETS, DELIVERED MARCH, APRIL, AND JUNE 1976 HIGHLY SUCCESSFUL, COST-EFFECTIVE, AND PROFITABLE ON PRIME DEPLOYMENT: DOMESTIC HIGH-DENSITY/TOURIST-ORIENTED TRUNKLINE (CAIRO-LUXOR-ASWAN-ABU SIMBEL). HOWEVER, DUE TO FACTORS OF LIMITED RUNWAY LENGTH, HIGH AMBIENT TEMPERATURE, AND HIGH AIRPORT ELEVATION, 109-SEAT ADVANCED 737-266'S PAYLOAD LIMITED TO ONLY 60 TO 71 PASSENGERS AND BAGGAGE ON FOLLOWING ROUTES DURING SUMMER: AMMAN-CAIRO, SANAA-CAIRO, KHARTOUM-CAIRO, AND ON TEHRAN-CAIRO POTENTIAL CHARTERS. NOTWITHSTANDING, NEW TWINJETS REPRESENT MAJOR REASON FOR HIGHLY SATISFACTORY AIRLINE PROFIT POSITION 1976 DUE THEIR ECONOMICS, PASSENGER APPEAL, MAINTAIN - ABILITY, RELIABILITY, AND LIMITED OFFICIAL USE

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EGYPTAIR HIGHLY GRATIFIED BY NEW AIRCRAFT'S OVERALL TRACK RECORD. INITIAL DISPATCH RELIABILITY (15 MINUTES OR LESS DEVIATION FROM SCHEDULED DEPARTURE) 70 PERCENT, BUT THIS HAS IMPROVED CONSIDERABLY OF LATE.

7. OPERATING FLEET AS OF MAY 14, 1977:

2 A-300B4 (WETLEASED FROM GERMANAIR)

5. ADVANCED 737-266 (TWO OTHERS LEASED TO TRANSAVIA HOLLAND)

7 707-366C

8. STAFF AS OF DEC. 31, 1976 -- 8433

9. AIRLINE WEAKNESSES: EXCESSIVE SENIOR MANAGEMENT TURNOVER, EXCESSIVE STAFF, LOW PAY, POOR MORALE, LACK OF OVERALL TOP-LEVEL EXERCISE OF AUTHORITY AND CONTROL WITH EXCESSIVE POWER PREEMPTED BY AIRLINE'S FLIGHT CREWS.

10. ROUTE EXPANSION PLANNING:

KARACHI EFFECTIVE APRIL 9 OR MAY 14, PLUS TUNIS AND MADRID AT UNSPECIFIED DATES.

11. EMBASSY COMMENT: INFORMATION ON EGYPTAIR PROFITS SHOULD BE READ IN CONNECTION WITH REF B. IT IS NOT CLEAR HOW THESE

DATA SQUARE WITH MINCIV AVIATION STINO'S ANNOUNCEMENT THAT
MINFIN WILL ABOSRB SOME LE 16 MILLION IN EGYPTAIR'S LESSES.
EILTS

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Message Attributes

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Sent Date: 04-Mar-1977 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
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